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PP RUEHFK RUEHKSO RUEHNAG RUEHNH
DE RUEHKO #5956/01 2860105
ZNR UUUUU ZZH
P 130105Z OCT 06
FM AMEMBASSY TOKYO
TO RUEHC/SECSTATE WASHDC PRIORITY 7390
INFO RUEKJCS/SECDEF WASHDC PRIORITY
RHEHAAA/THE WHITE HOUSE WASHINGTON DC PRIORITY
RUEAWJA/USDOJ WASHDC PRIORITY
RULSDMK/USDOT WASHDC PRIORITY
RUCPDOG/USDOC WASHDC PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
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RHHMUNA/HQ USPACOM HONOLULU HI
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RUYNAAAC/COMNAVFORJAPAN YOKOSUKA JA
RUAYJAA/COMPATWING ONE KAMI SEYA JA
RUEHNH/AMCONSUL NAHA 0978
RUEHFK/AMCONSUL FUKUOKA 8439
RUEHOK/AMCONSUL OSAKA KOBE 1814
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RUEHBJ/AMEMBASSY BEIJING 4542
RUEHUL/AMEMBASSY SEOUL 0658
RUCNDT/USMISSION USUN NEW YORK 2247

UNCLAS SECTION 01 OF 10 TOKYO 005956

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FAS/ITP FOR SCHROETER; PACOM HONOLULU FOR PUBLIC DIPLOMACY ADVISOR;
CINCPAC FLT/PA/ COMNAVFORJAPAN/PA.

E.O. 12958: N/A

TAGS: [OIIP](#) [KMDR](#) [KPAO](#) [PGOV](#) [PINR](#) [ECON](#) [ELAB](#) [JA](#)

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 10/13/06

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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, October 12

NIHON KEIZAI (Page 2) (Full)
October 13, 2006

08:01

Met Deputy Chief Cabinet Secretary Suzuki at the Prime Minister's Official Residence (Kantei).

09:00

Upper House Budget Committee meeting.

11:58

Arrived at the Kantei.

13:00

Upper House Budget Committee meeting.

17:04

Met Cabinet Intelligence Director Mitani. Then meeting of cabinet minister related to monthly economic report.

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18:28

Met State Minister for Economic and Fiscal Policy Ota.

19:00

Received telephone call from Indonesian President Yudohoyono. Chief Cabinet Secretary Shiozaki and Special Advisors to the Prime Minister Koike and Seko were present.

19:56

Returned to private residence at Tomigaya.

4) Japan, US launch swift offensive against North Korea at UNSC with harsh sanctions

YOMIURI (Page 2) (Excerpts)
October 13, 2006

Yoshikazu Shirakawa, New York

The United States circulated a final draft resolution calling for sanctions against North Korea for its nuclear test to the permanent member nations of the United Nations Security Council on Oct. 12. The US revised the original draft to reflect the concerns of China and Russia. By coming up with a final draft resolution calling for harsh sanctions under Chapter 7 of the UN Charter, the US demonstrated its determination to bring about powerful, swift action from the UNSC. China and Russia now have no excuse for opposing the heightening of pressure on North Korea for its provocative act, losing ground to the quick offensive taken by Japan and the US.

Speaking to reporters on the evening of Oct. 11, Ambassador to the UN John Bolton indicated a willingness to accelerate procedures for adopting the resolution, saying, "Although we are ready to respond to further discussion, it is necessary to take quick action tomorrow (the 12th) in order to have the resolution adopted by the weekend."

The US has constantly taken the initiative at the UNSC in dealing with the issue of North Korea's nuclear test. Within 24 hours after the North announced it had conducted a nuclear test, the US presented a draft resolution calling for sanctions. While China and Russia were reserving a reply, the view that "a tough resolution should be quickly taken" dominated the UNSC.

The resolution includes wide-ranging measures, such as ship inspections, a ban on arms exports, and financial sanctions, in addition to measures to prevent the transfer of weapons of mass destruction. These measures show that the US had started carefully drafting the resolution even from before the North conducted the nuclear test.

In the final version, the words "within 30 days" inserted in the draft resolution as the deadline for implementing sanctions were

erased, reflecting the proposals by China and Russia to some extent.

5) Gov't to introduce SM-3 missiles next year for earlier-than-scheduled deployment

ASAHI (Page 4) (Full)
October 13, 2006

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In the wake of North Korea's proclamation of a nuclear test, the government decided yesterday to frontload its planned introduction of sea-based Standard Missile 3 (SM-3) missiles for missile defense (MD) and will introduce the SM-3 earlier than scheduled within the calendar year of 2007, Defense Agency Director General Kyuma stated before the House of Councillors Budget Committee in its meeting yesterday. Japan's SM-3 introduction was initially scheduled for late fiscal 2007.

Asked about MD deployment, Prime Minister Abe vowed to expedite Japan's MD deployment. "The budget is limited, but we would like to make efforts to push for it in response to such a situation," Abe stated in his reply before the committee. Kyuma also stated that the government would have to consider moving up the schedule in order to remove public anxiety. He then clarified that the Defense Agency would introduce the SM-3 within 2007. They were replying to questions from Jiro Aichi of the ruling Liberal Democratic Party.

Meanwhile, in response to North Korea's missile launches in July, the government has already decided to move up its planned acquisition of ground-based Patriot Advanced Capability 3 (PAC-3) missiles for earlier-than-scheduled deployment. The government plans to purchase PAC-3 missiles in fiscal 2008 and afterward but will purchase some of them in fiscal 2007.

6) Government eyes special law for rear support for maritime interdictions

ASAHI (Page 1) (Full)
October 13, 2006

The government yesterday launched a discussion on special legislation to enable the Self-Defense Force to offer rear support for ship inspections being carried out on vessels traveling to and from North Korea. The rear support would focus on fueling and other services. The United Nations Security Council will soon adopt a resolution calling for sanctions against North Korea because of its announced nuclear test. Japan expects the resolution will include a ship-inspection measure. The Liberal Democratic Party also asked the government yesterday to prepare special legislation to enable Japan's rear support for such maritime interdictions.

In a House of Councillors Budget Committee meeting yesterday, Prime Minister Abe said, "Assuming various contingencies, we must look into what measures Japan will be able to take." An aide to the prime minister also admitted that the government started a discussion on response measures, including a special law, and said, "The prime minister should make a final decision."

Under the current relevant law, the Maritime Self-Defense Force (MSDF) is allowed to carry out its own ship searches on the high seas on the condition that there is a contingency going on near Japan. The government, however, has judged it difficult to come up with this definition under the current situation. Regarding rear-support fueling services as stipulated in the Regional Contingency Law, as well, such services are limited to the US military and they must occur in Japan's territorial waters. Given this, the government has started mapping out a special law.

In a meeting yesterday of the Policy Research Council to Deal with North Korea's Nuclear Test, the LDP also called for legislation to be prepared to allow Japan to support maritime interdictions being

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carried out by vessels of other countries.

Defense Agency Director General Kyuma said in the Upper House Budget Committee meeting yesterday:

"Nobody knows what would happen when countries begin to take action in accordance with the UN resolution. There is even the possibility that areas near Japan might fall into a state that can be recognized as an emergency."

7) UNSC resolution on maritime inspections: Government forced into difficult choice; Recognizing contingency key to support

TOKYO SHIMBUN (Page 2) (Slightly Abridged)
October 13, 2006

Maritime inspections of ships to ensure enforcement of economic sanctions can involve the use of force, such as firing warning shots and seizing ships. Though the government has thus far characterized such actions as unconstitutional, the United Nations Security Council (UNSC) is now discussing inspections of ships to and from North Korea. Following these moves, the possibility has emerged that the Abe administration will be forced to steel itself for the challenge and make a difficult choice.

In the event of the UNSC incorporating maritime ship inspections in its resolution, options available to Japan in compliance with the existing law will be: (1) carrying out ship inspections; (2) providing logistical support; or (3) not taking part in such inspections. The circumstances are, however, complex.

International law defines maritime inspections as naval ships stopping vessels and checking whether they are transporting banned goods. If the vessel does not follow the order to stop, warning shots might be fired. If banned goods are found, the vessel could be seized.

Based on the interpretation that firing warning shots and seizing vessels fall under the use of armed force or the threat to do so, acts banned under Article 9 of the Constitution, the government has thus far taken the position that maritime inspections of ships are unconstitutional.

For this reason, Japan has established the Vessels Inspection Activities Law, which allows it to board and inspect the vessels of third countries in the event of a contingency in an area surrounding Japan, thereby positioning such an act as replacing conventional naval inspections.

However, doubts have been cast about the efficacy of this kind of ship search, because unlike naval inspections, firing warning shots is not allowed. They have no power of coercion, either.

That is why the range of options available to Japan includes providing logistical support to US military vessels carrying out maritime inspections of ships.

However, in both cases the government needs to recognize a contingency in an area surrounding Japan before the Maritime Self-Defense Force can operate.

The Law Concerning Measures to Ensure the Peace and Security of

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Japan in Situations in Areas Surrounding Japan stipulates a contingency in an area surrounding Japan as a situation that could lead to a direct armed attack if it is left unheeded. As to whether that would include the current situation, the prevailing view in the Defense Agency (JDA) was at first that the situation was not that serious, according to a senior JDA official.

However, the situation has changed due to sanctions discussions by the UNSC.

There are six categories for the recognition of a contingency in an

area surrounding Japan, including the outbreak of an armed conflict or the acts of a specific country being determined by the UNSC to be a threat to peace and the subject of economic sanctions. In North Korea's case, there is the possibility of that maritime inspections of ships could lead to an exchange of fire. There is also a growing consensus that the UNSC's sanctions resolution following North Korea's announcement that it has carried out a nuclear test falls under some of those six categories.

8) Attack on enemy bases: "Considering such a possibility is natural," says prime minister; JDA director general remains cautious

TOKYO SHIMBUN (Page 2) (Excerpts)
October 13, 2006

Regarding Japan's response in the event of an imminent missile launch against Japan, Prime Minister Abe during yesterday's Upper House Budget Committee meeting stated, "It is only natural for us to always consider and study what should be done in order to defend our country." He thus indicated his position supporting study of the idea of obtaining the capability to strike enemy bases.

At the same time, Defense Agency Director-General Akio Kyuma expressed caution about the use of force, noting: "Our country's position has been that it uses a shield but does not possess arms. We will, in principle, relegate the job of attacking enemy bases to the US military."

9) Abe: Japan to enforce sanctions due to growing threat from North Korea; Japan-US alliance's deterrence rock solid

ASAHI (Page 4) (Abridged)
October 13, 2006

The following is a gist of Diet interpellations from yesterday's House of Councillors Budget Committee session.

Situations in areas surrounding Japan

Keiichiro Asao (Democratic Party of Japan-Minshuto): Does North Korea's conduct this time fall under the category of "situations in areas surrounding Japan" as a legal grounds for ship inspection?

Prime Minister Abe: The situation is changing every moment, so we will have to consider at all times how Japan can respond while anticipating every possible situation.

Defense Agency Director-General Kyuma: I don't think the present situation falls under the category of situations in areas surrounding Japan. However, when various countries are beginning to

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take actions in line with a United Nations resolution, circumstance may emerge that require recognition as a situation (i.e., a contingency) in areas surrounding Japan.

Abe: Even if the circumstances are recognized as a situation in areas surrounding Japan, there are limits to the enforcement of ship inspections. At this point, we will need to consider how to respond to such a situation in the international community. That's a major challenge.

Sanctions

Asao: Japan is asking the United Nations Security Council to adopt a resolution, but Japan will not participate (in maritime intercept operations). Do you think this will pass muster in the international community?

Abe: One may say Japan can't do anything in light of its law, so we don't recognize it (as a contingency) and we don't agree (to participate in maritime interdictions). That's another problem. Each country has its own capability.

Katsutoshi Kaneda (Liberal Democratic Party): Why did the government

decide to go ahead with unilateral sanctions?

Abe: North Korea has improved its missile capability and proclaimed that it conducted a nuclear test. When we think about this, Japan is facing a doubly serious threat. It's a threat to the region. At the same time, Japan is the very country facing the threat. In such a situation, the government decided on severe measures.

Japan-US alliance

Gotaro Yoshimura (LDP): If and when Japan faces an increasing danger of a nuclear attack, how will the government respond?

Abe: The United States has declared that an attack on Japan is the same as an attack on the United States. The presence of the United States and the deterrence of our alliance with the United States are rock solid. When I talked with President Bush over the phone, the president told me that US deterrence is rock solid. It's a message to North Korea and the world.

Missile defense

Jiro Aichi (LDP): We will have to consider destroying missiles as an emergency option within the bounds of invoking the right of self-defense.

Abe: I take it for granted that we will always discuss and study what to do in order to defend our country. We've now already set about missile defense. The budget is limited, but I'd like to make efforts to push for it in response to such a situation.

Aichi: What about the government's plans for missile defense?

Kyuma: The MD deployment plans have been budgeted since fiscal 2004 and will be completed in eight years. The SM-3 (sea-based missiles to be mounted on Aegis ships) is currently scheduled to be introduced in late fiscal 2007, but I'd like to do it within (the calendar year of) 2007.

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10) Minshuto's security policy now wavering, with opposition to extension of Antiterrorism Special Measures Law but favoring upgrading JDA to ministerial status

SANKEI (Page 5) (Full)
October 13, 2006

North Korea's recent announcement that it set off a nuclear test not only puts to the test the government's security policy but also rocks the Democratic Party of Japan's (Minshuto) security policy. Yesterday, the party adopted a policy course of opposing an amendment to the Antiterrorism Special Measures Law, but DPJ President Ichiro Ozawa supports a bill to upgrade the Defense Agency (JDA) to ministry status. The party's Policy Committee to Take the Reins of Government held its first meeting yesterday, but it is unlikely to reach a decision on basic policy until the end of the year, while being forced until then to deal with bills in an ad hoc manner.

The Antiterrorism Special Measures Law serves as the legal grounds for refueling by the Maritime Self-Defense Force (MSDF) now continuing in the Indian Ocean for US and other countries' vessels. As that law is due to expire on Nov. 1, the government has submitted to the Diet a bill extending the law for another one year. The Lower House Steering Committee in its board meeting yesterday decided to have the government explain the purpose of the bill and take questions at a plenary session today.

Meanwhile, Minshuto in its Foreign and Defense Council meeting yesterday confirmed a policy course of opposing the bill, saying that continuing to extend it piecemeal and that the GOJ has yet to sufficiently explain what the law has accomplished. There is, however, deep-rooted sentiment within the party in favor of a realistic approach, with one junior lawmaker warning, "That would give the impression that our party has turned its back on fighting

terrorism."

When the same law was amended last year to extend it for one year, then DPJ President Seiichi Maehara worked to coordinate views in the party so as to approve the amendment, but he changed course afterward to oppose it in order to preserve harmony within the party. The party's stance this time is to save face, with a mid-level lawmaker noting: "Given that our party has opposed the bill to date, if we now come out in favor of it, our policy consistency will be called into question."

At the same time, upgrading the JDA to ministerial status has been one of Ozawa's pet arguments continued since he was the president of the Liberal Party (Jiyuto). In fact, Ozawa stated on a commercial TV program in late September: "It's not a good thing that the agency in charge of national defense is under the Cabinet Office and is unable to take the initiative in making policy proposals."

Yesterday, the party's Parliamentary Group Aiming to Establish a Defense Ministry at an Early Date met yesterday and confirmed that the group endorsed upgrading the JDA to a ministerial status. But some lawmakers are opposed, citing the bid-rigging scandals involving the Defense Facilities Administration Agency and arguing that promotion to ministry status would only reward the JDA after this malfeasance. So, at the Foreign and Defense Council meeting yesterday, the party put off the conclusion.

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In response to North Korea's announcement of a nuclear test, Ozawa said on Oct. 9: "We must take strict containment measures." Adding, "North Korea will react (to the measures taken by the international community)," he called on the government to take a resolute response. But when the government announced a set of additional sanctions on Oct. 11, the party did not issue an official statement. Ozawa and his party are now being tested over whether party members can unite on security policy.

11) Prime Minister preparing additional sanctions measures against North Korea from July, decision given momentum by change in China's attitude

YOMIURI (Page 4) (Excerpts)
October 13, 2006

In the background of the government's decisions to impose on its own additional sanctions measures against North Korea only two days after that country announced it had carried out a nuclear weapon test lies the fierce determination of Prime Minister Abe, who decided to take a strong stand as quickly as possible. The Prime Minister already in July (before his election) had anticipated such a crisis situation, and directed related bureaus to start preparations.

"North Korea's next card is likely to be a nuclear test, so I want you to start considering our response should that contingency occur," Abe, then chief cabinet secretary, directed Deputy Assistant Chief Cabinet Secretary Ando, who was in charge of foreign affairs, only a few days after North Korea launched missiles on July 5.

12) Government helps domestic firms suffering from embargo against North Korea, plans to extend low-interest loans

SANKEI (Page 5) (Full)
October 13, 2006

At the first meeting yesterday of the government's task force on an embargo on North Korea (chaired by Chief Cabinet Secretary Yasuhisa Shiozaki) at the Prime Minister's Official Residence (Kantei), the government decided to take such measures as extending low-interest loans via government-affiliated banking institutions to domestic firms suffering an economic blow from a total import ban on North Korean products. The government will today decide on assistance measures to be taken immediately.

The total import ban on North Korean products is one of Japan's

additional sanctions. Such measures were announced on Oct. 11 and will be put into action tomorrow. In the meeting, Shiozaki stated, "They are necessary for the sake of security, but we want to offer considerate assistance to firms that have suffered a blow." He received reports forecasting the impact as well as suggesting assistance measures from relevant ministries and agencies, including the Ministry of Agriculture, Forestry, and Fisheries and the Ministry of Economy, Trade, and Industry.

Imports from North Korea for fiscal 2005 amounted to some 14.5 billion yen. Of them, seafood, such as crabs and clams, accounted for 28% or so, and matsutake mushrooms and other agricultural products accounted for about 12% .

13) Monthly economic report: Period of current expansion stretches

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to 57 months, as long as "Izanagi boom"

SANKEI (Page 1) (Excerpts)
October 13, 2006

The current economic expansion is equal to the "Izanagi boom" (November 1965 - July 1970), and it is almost certain that it will be the longest postwar boom next month. State Minister in Charge of Economic and Fiscal Policy Hiroko Ota submitted the October economic report in a meeting of relevant cabinet ministers yesterday. The report left unchanged the government's basic assessment of the economy as "being on the recovery track." The current economic expansion that began in February 2002 has stretched to 57 months.

SCHIEFFER